



We work with others to protect the health of the people of Washington State by ensuring safe and reliable drinking water.



# **DRINKING WATER STATE REVOLVING FUND**

Washington State Department of Health  
Office of Drinking Water

# DWSRF Construction Loan Webinar

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September 21, 2022

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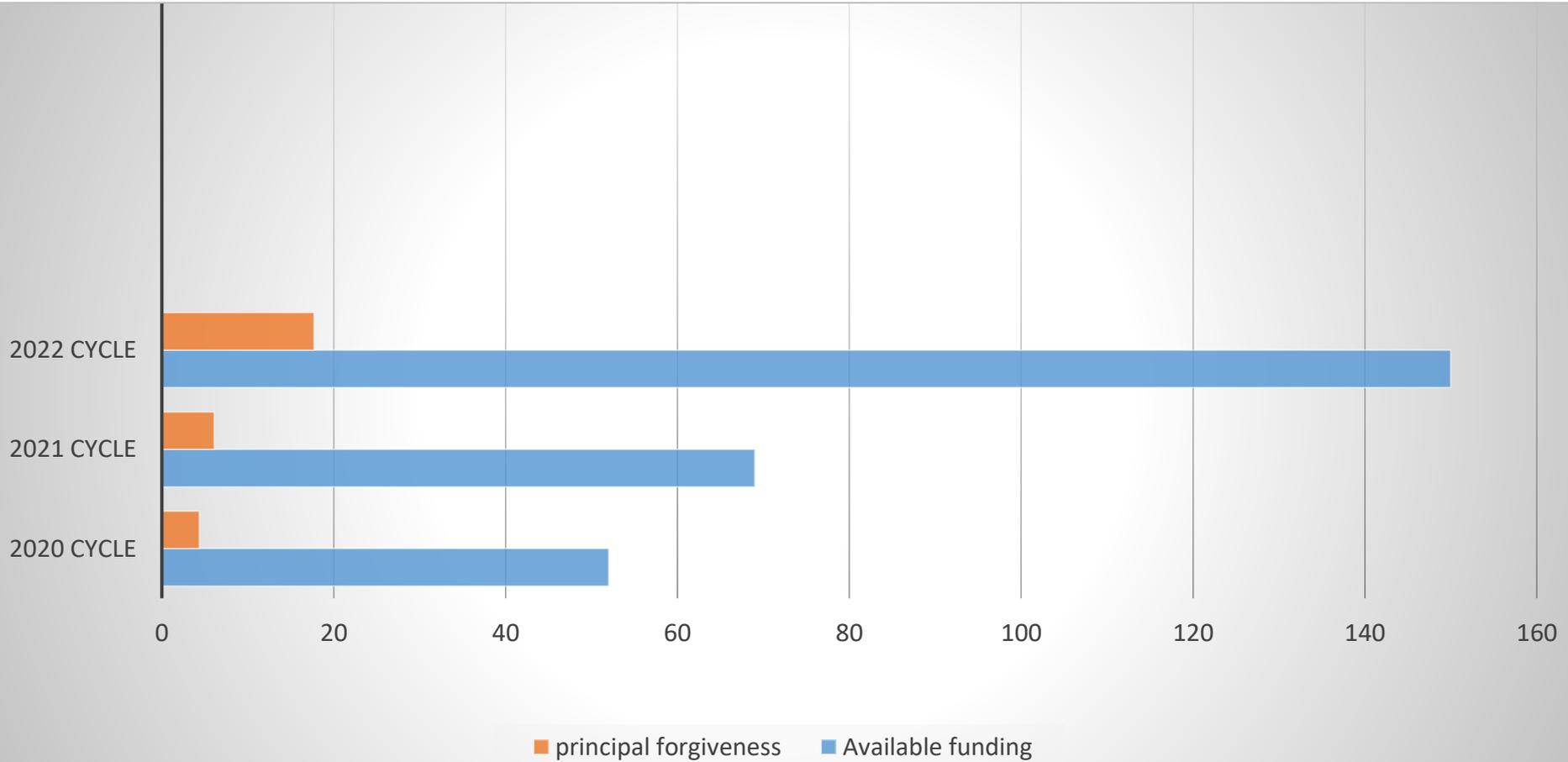
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# DWSRF Purpose

- Increase public health protection and compliance with drinking water regulations.
- Reimbursements through low-interest loans.
- Funded through the U.S. Environmental Protection Agency, state match, and loan repayments.

# 2022 Fall Cycle



# Construction Loans

- Eligible Applicants:
  - Group A community systems.
  - Group A nonprofit noncommunity systems.
  - Group B systems converting to Group A due to a consolidation project.
  - Tribal systems not receiving SRF tribal set asides.
- Ineligible Applicants:
  - Group B systems **not** converting to Group A.
  - Group A noncommunity, for-profit systems.
  - Federal and state-owned systems.

# Construction Loans

- Eligible Projects:
  - Projects that address a public health risk.
  - Projects that upgrade deteriorated facilities.
- Ineligible Projects:
  - Operations and maintenance.
  - Future growth or fire flow.
  - No construction component



# Fall Construction cycle

- October 3–November 30, 2022
  - 150 Million available—15 million max per jurisdiction
  - **Includes BIL funding (stimulus, emerging contaminants, lead service line replacement projects)**
    - ◆ This cycle will inform our Intended Use Plan(s)
  - 2.25% standard Interest rate
  - 1.75% interest rate for disadvantaged communities
  - 20-year standard loan term
  - 1.0 percent loan origination fee, charged at loan execution.

# Lead Service Line Replacement Eligible Projects

- ~ 46 million available in 2022—49% forgiveness
- Replace entire lead service line (both utility and customer owned portions) and appurtenances.
- Replace lead goosenecks, pigtails, or connectors.
- Replace some galvanized service lines
  - If downstream of a known or unknown lead service line.

# Emerging Contaminant Eligible Projects

- ~16.8 million available as principal forgiveness
- Prioritizes PFAS, but any can be used to address any contaminant listed on any of EPA's Contaminant Candidate Lists
- Treatment Systems, pilot testing, new source, consolidation
- 25% must go to disadvantaged systems

# Buy America, Build America

- Applies to all projects receiving federal funding (BIL and standard program)
  - The new requirements are: “(A) all iron and steel used in the project are produced in the United States; (B) the manufactured products used in the project are produced in the United States; (C) the construction materials used in the project are produced in the United States.”
- National level waivers
  - Plans and specs waiver for projects that were designed prior to May 14, 2022
  - Materials not currently manufactured in the US
  - De minimis
- Waiting on EPA Implementation guidance

# Prioritizing Disadvantaged Communities

- Highest ranked projects get principal forgiveness.
- Projects where the average monthly water rate with the loan will exceed 2.0 percent of the Median Household Income (MHI) for the service area may receive principal forgiveness and a reduced interest rate.
- Project where the monthly water rate with the loan is between 1.5 and 2.0 percent of MHI may received a reduced interest rate.
- For-profit systems are not eligible, except community systems being consolidated into a not for profit.

# Construction Loans Eligibility

- **Planning documents must be current and include proposed project.**
- Must have all real property, easements or right-of-ways secured or ability to do so upon application.
- If project requires water rights, must have water rights
- No outstanding audit findings.
- Must include approved meeting minutes with the application that show governing body approved submittal of the DWSRF application, proposed project, and estimated amount for funding.

# Construction Loans

- Construction must start within 18 months of funding agreement execution.
- Project must be completed within 48 months of funding agreement execution.

# Construction Loans

- Water main relocation or replacement that coincides with another infrastructure project.
  - \$3 million allocated for this type of project.
  - \$1.5 million maximum per project.
  - Eligible entities: Group A community not-for-profit water system.
  - Provide letter from jurisdiction requesting water main relocation.

# Construction Loans

- Consolidation projects ranked based on compliance issues within the past five years.
- Consolidation projects must provide signed transfer agreement at time of application.



# Construction Loans

- Asset management program will be part of the scope of work if water system currently lacks an asset management program.
- We will make up to \$40,000 available for this effort:
  - Purchase of software.
  - Professional services.

# Project Scoring



# Construction Loans

- Five health-based risk categories
- Affordability
- Readiness to Proceed
- Bonus



- See Appendix A of the guidelines for scoring information.
  - Guidelines available online at [doh.wa.gov/DWSRF](https://doh.wa.gov/DWSRF)

# Construction Loans : Scoring

- All projects are scored and ranked based on the documented health risk being addressed.
- Category 1—Microbial contamination.
- Category 2—Primary inorganic contaminant MCL, PFAS exceed SAL and Lead Service lines replacement
- Category 3—Primary chemical risks or sanitary survey significant deficiencies.
- Category 4—Secondary MCLs and Resiliency.
- Category 5—Projects not captured in previous risk categories: new reservoir, pipe replacement, pump station.

# Construction Loans: Risk Category 1

Up to 120 points for a project that addresses an existing unaddressed documented microbial contamination event (that occurred within the last 5 years) or compliance problem associated with:

- Documented microbial contamination.
- Treatment technique violation for Total or Revised Total Coliform Rule, groundwater, or surface water treatment rules.
- *E. coli* detected in a well.

# Construction Loans: Risk Category 1

- Hydraulically connected to surface water.
- EPA health advisories for microbials.
  - Legionella.
  - Cyanotoxins (blue-green algae).
    - 0.3 micrograms per liter for microcystins.
    - 0.7 micrograms per liter for cylindrospermopsin.



## Construction Loans: Risk Category 2

Up to 110 points for for a project that addresses a compliance problems (MCL, TT, or Action Level) exceedances or violations associated with the following (unless it is a lead service line replacement project).

- Documented primary inorganic contaminant MCL.
  - Nitrate or arsenic.
- Documented lead or copper action level violation.
- PFOS and PFOA combined above SAL.

# Construction Loans: Risk Category 2

- Projects that address water shortages associated with a declining aquifer for the following communities: Connell, Ephrata, Kahlotus, Lind, Mesa, Moses Lake, Othello, Quincy, Ritzville, Washtucna.



# Construction Loans:

## Risk Category 3

Up to 95 points for a project that addresses compliance problems (MCL, TT, or Action Level), exceedances, or violations associated with the following:

- Disinfection by-products.
- Organic chemical.
- Radionuclides.
- Project that addresses a sanitary survey significant deficiencies:
  - Example: Reservoir roof failing, allows entry of contaminants.

# Construction Loans: Risk Category 3

- Receiverships.
- Required to install disinfection for activities not covered in risk Category 1.
  - Example: Unsatisfactory coliform samples for groundwater system.
- EPA health advisory for chemicals.
  - Manganese: 0.3 milligrams per liter (secondary MCL is 0.05 milligrams per liter).

# Construction Loans: Risk Category 4

Up to 60 points for projects that addresses

- Secondary MCLs.
  - Iron or manganese.
- Seawater intrusion.
- Sanitary survey significant finding.
  - Must also be under a compliance order.
  - Example: Spring or well at risk of physical damage and need to construct an enclosure.
- 75 percent of arsenic or nitrate MCL.
  - Assist systems to proactively address public health i
- Consolidation and restructuring projects.
  - If project not captured in risk Category 1, 2, or 3, it v and receive bonus points for number of systems co



# Construction Loans: Risk Category 4

- **Resilience:** Ability of water infrastructure to withstand and recover from natural and man-made disturbances to their normal functioning.
  - Project must benefit 51 percent or more of population served.
  - Examples: Seismic upgrades, intake upgrades for drought and flood conditions, intertie, and generators.



# Construction Loans:

## Risk Category 5

- Up to 40 points for projects not captured in previous risk categories:
  - New reservoir or pipe replacement.
  - New pump station.



# Construction Loans: Scoring

Affordability points.

- The Affordability index (AI) is determined by evaluating the average monthly drinking water rate including the loan against the MHI.
- Affordability Index (AI)
  - High >3.51% 10 points
  - Medium between 2.01%–3.5% 6 points
  - Low between 1.5%–2% 3 points
- DWSRF will determine points

# Construction Loans: Scoring

Readiness to proceed points

- Complete Construction and/or bid documents
- Complete SEPA/NEPA
- Complete Cultural Review
- Completes previous DWSRF construction or DWSRF emergency loan project
- Completes previous preconstruction loan project
- Completes previous consolidation grant project

# Construction Loans: Scoring

## Bonus Points

- Compliance Status
- Consolidation and restructuring
- Attend asset management training
- Submit asset inventory
- Water main replacement coincides with another infrastructure project.
- Green project.
- Environmental Health Disparities

# Construction Loans

- Typical Timeline of funding cycle:
  - Cycle closes: November 30.
  - Applications reviewed: December 1–January 31.
  - Applicants notified on funding status: February.
  - Scopes developed: March to May.
  - Contracts executed and funds available: July.

# Need help getting started?

- Preconstruction Loans (year-round cycle)
  - We have funding available now—\$3 million cycle annually; first come first serve until funding is exhausted.
    - Funding allocated on state fiscal year of July 1.
  - Planning, studies, design, asset management, cultural and environmental review, etc.
  - Can not be used for groundbreaking activities.

# Preconstruction Loan

- \$500,000 per jurisdiction per fiscal year.
- 2% loan fee—0% interest.
- Must complete scope of work activities within 24 months.
- Currently provide bonus points for the preconstruction loan, approved design documents, completed SEPA and Cultural review.

## Take aways

- Record breaking dollars available.
- BIL funding authorized for five years.
- If you're not ready this year, work with the regional office to get ready for next year.
- Likely a great time for water main projects.
- Will consider refinancing of projects previously funded by RD.
- If you have question—give me a call or join us Wednesday September 21 at 10am for a webinar.

# All the details

- Current information about our program is located at [doh.wa.gov/DWSRF](https://doh.wa.gov/DWSRF).